SGI CANADA

Quarterly Report
March 2013

CORPORATE PROFILE

Mission

We're your insurance company, offering protection that benefits you, your family and your community.

Vision

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

Values

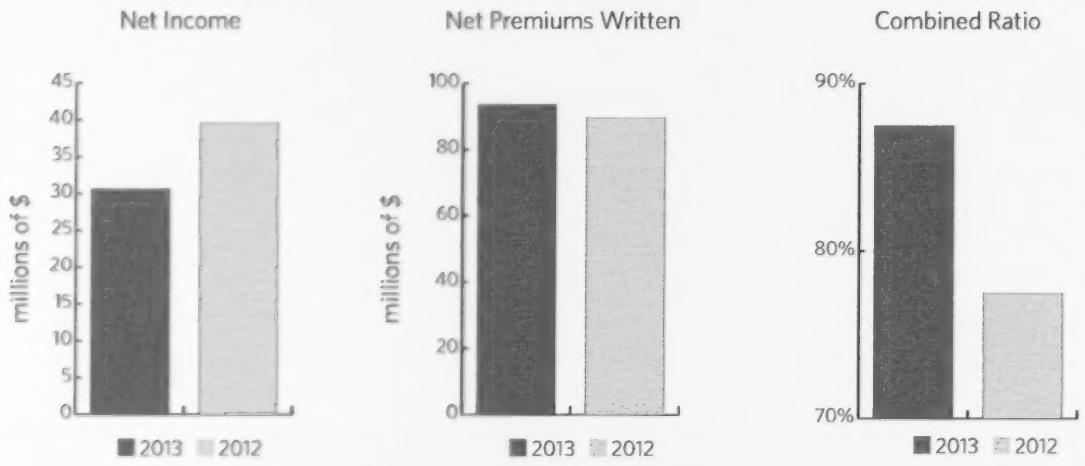
Integrity	Conducting ourselves with honesty, trust and fairness.
Caring	Acting with empathy, courtesy and respect
Innovation	Implementing creative solutions to achieve our vision.

About SGI CANADA

SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, Coachman Insurance Company in Ontario and the Insurance Company of Prince Edward Island in Prince Edward Island, Nova Scotia and New Brunswick. The company employs about 1,900 people and its head office is located in Regina, Sask. Products are sold through a network of independent insurance brokers.

Financial Highlights

For the three months to March 31



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd., the Insurance Company of Prince Edward Island and Coachman Insurance Company, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three-month period ended March 31, 2013, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2012. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to May 15, 2013.

Overview

(thousands of $ - except percentages)

	three months to March 31		
	2013	2012	Change
Net premiums written	93,624	89,737	3,887
Net income	30,576	39,837	(9,261)
Combined ratio	88%	77%	11.0%
Minimum Capital Test	288%	280%	8.0%

The Corporation continues to experience premium growth with increases in net premiums written in Saskatchewan, Alberta, and the Maritimes. The largest growth came from Alberta with a 14.5% increase over the first three months of 2012. While premiums grew, net income declined compared to the first quarter of 2012, due to higher claim costs, in particular higher property claims in Saskatchewan and Alberta.

Investment earnings improved slightly from the first quarter of 2012, returning $17.5 million (2012 - $15.4 million). Investment markets experienced significant gains during the first quarter of 2013 with all asset classes generating positive returns. Equity markets produced strong returns, particularly in the U.S. and international markets. Stable interest rates generated constant interest income and relatively higher capital gains resulting in greater overall fixed income returns compared to the 2012 period.

The Corporation continues to be adequately capitalized, with a Minimum Capital Test (MCT) score of 288% at March 31, 2013.

Outlook

Underwriting results contributed to a strong profit in the first quarter of 2013, positioning SGI CANADA well leading into the second quarter. However, as the warm summer months approach there is the potential for storms in Saskatchewan, which can quickly and unfavourably impact profitability. In this respect, the first quarter profit generated will benefit the Corporation heading into the summer months. To help offset the impact of Saskatchewan summer storms, the Corporation spreads its insurance risk geographically and reinsures against catastrophic losses.

An accommodative monetary policy continues to hold interest rates at multi-generational lows in efforts to maintain the economic recovery. In equity markets, risks both domestically and internationally continue to pose challenges to sustained global growth. Should central banks succeed in stimulating economies and improving investor confidence, it is expected interest rates will begin to rise to more normalized levels. The Corporation maintains its prudent investment management policies and processes resulting in well diversified, high-quality investment portfolio.

Revenue

(thousands of $)	three months to March 31		
	2013	2012	Change
Premiums earned	122,099	117,706	4,393
Investment earnings	17,537	15,447	2,090

Premiums written by operating segment are noted below.

(thousands of $)	three months to March 31		
	2013	2012	Change
Saskatchewan	69,668	66,093	3,575
Alberta and Manitoba	11,084	9,956	1,128
Ontario	8,713	9,949	(1,236)
Maritimes	4,159	3,739	420
Net premiums written	93,624	89,737	3,887
Change in unearned premiums	28,475	27,969	506
Net premiums earned	122,099	117,706	4,393

Net premiums written in Saskatchewan increased 5.4% in the first quarter of 2013 with personal lines, agro, and commercial auto contributing the majority of the increase. Alberta operations experienced growth of 14.5% in the quarter with auto business contributing the majority of the increase. The decrease in Ontario of 12.4% is due primarily to a continued decline in auto policies as Coachman experiences increasing competition in its auto market. Premiums written in the Maritimes increased 11.2% in the quarter with increases coming from auto policy growth across all three provinces.

Investment earnings in the first quarter were $2.1 million higher than the same period in 2012. Increases in equity prices resulted in capital gains although at amounts slightly less than experienced during the first quarter of 2012. While interest income on fixed income investments remained constant, relatively stable interest rates generated capital gains during the quarter as opposed to capital losses experienced during the first quarter of 2012.

Expenses

(thousands of $ - except percentages)

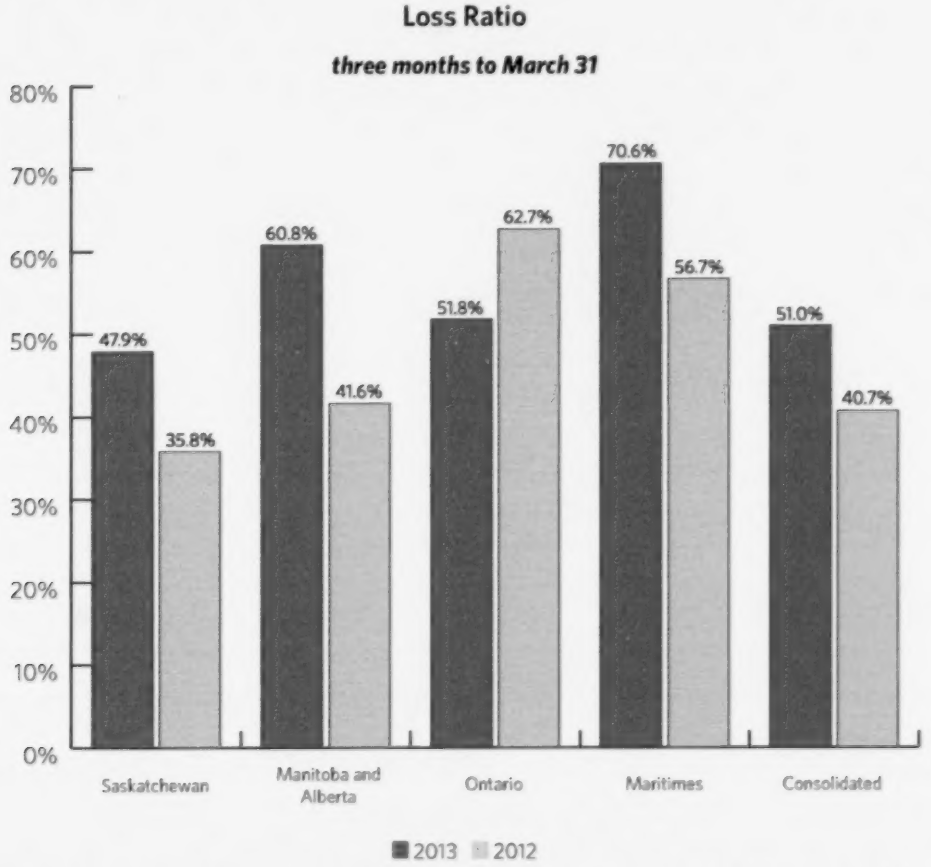
	three months to March 31		
	2013	2012	Change
Claims incurred	62,240	47,907	14,333
Other expenses	44,616	43,142	1,474
	106,856	91,049	15,807
Loss ratio	51.0%	40.7%	10.3%

Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and the Corporation's share from participation in the Facility Association.

Claims incurred

First quarter claims incurred were 29.8% higher than 2012. The consolidated loss ratio increased to 51.0%, compared to 40.7% in 2012, primarily a result of increased claim costs from Saskatchewan and Alberta operations. The loss ratio for out-of-province operations increased to 58.9% in the first quarter of 2013 (2012 - 53.4%). While claim results have deteriorated compared to 2012, overall they remain on target as 2012 claim costs were unusually low.

The following chart summarizes first quarter loss ratios by jurisdiction:



Saskatchewan's loss ratio of 47.9% is higher than last year's three month ratio of 35.8%, primarily the result of a higher number of claims and large losses in personal lines compared to the prior year.

Manitoba and Alberta's loss ratio increased from 41.6% in 2012 to 60.8% in 2013 due primarily to higher claim costs in Alberta resulting from a higher number of claims across all lines, as well as large losses in both agro and personal lines.

The Ontario loss ratio decreased from 62.7% in 2012 to 51.8% in 2013, due largely to lower auto claim costs, as the auto reforms in Ontario are resulting in lower accident benefit costs.

The Maritimes loss ratio increased from 56.7% in 2012 to 70.6% in 2013, due to a higher number of claims across all lines, as well as large commercial line losses.

Other expenses

For the first quarter, other expenses increased $1.5 million compared to the same period in 2012. This was due largely to higher commissions and premium taxes, which have grown consistent with the premium growth in the quarter. Administrative expenses have increased due primarily to growth in salaries and benefits.

Balance Sheet Review

(thousands of $)	March 31 2013	December 31 2012	Change
Total assets	**1,024,358**	**1,073,598**	**(49,240)**
Key asset account changes:			
Cash and cash equivalents	20,982	13,854	7,128
Accounts receivable	132,037	146,265	(14,228)
Investments	708,109	751,096	(42,987)
Reinsurers' share of unearned premiums	21,287	12,561	8,726

The increase in cash and cash equivalents is discussed in the Cash Flow and Liquidity section that follows. Accounts receivable have decreased as a result of decreases in amounts due from customers and brokers, a direct result of lower premium volumes in the first quarter of 2013 compared to the fourth quarter of 2012. The carrying value of investments decreased by $43.0 million, reflecting the sale of long-term investments largely to fund the $42.0 million dividend payment. Reinsurers' share of unearned premiums are higher than at the end of 2012 as most annual reinsurance contracts are written during the first quarter of the year, and earned over the remainder of the year.

(thousands of $)	March 31 2013	December 31 2012	Change
Total liabilities	**716,363**	**790,923**	**(74,560)**
Key liability account changes:			
Accounts payable and accrued liabilities	52,132	69,600	(17,468)
Dividend payable	5,750	41,993	(36,243)
Premium taxes payable	4,551	20,505	(15,954)
Amounts due to reinsurers	17,921	9,250	8,671
Unearned premiums	255,661	275,410	(19,749)
Provision for unpaid claims	375,599	369,137	6,462

Accounts payable and accrued liabilities decreased due largely to payments made during the quarter related to 2012 annual broker bonuses and income taxes. The dividend payable decrease was a result of the 2012 fourth quarter dividend accrual being paid to the province in the first quarter of 2013. Premium taxes payable decreased due to the annual 2012 premium taxes being paid in the quarter. Amounts due to

reinsurers increased as most reinsurance agreements are written in January and paid throughout the year. The decrease in unearned premiums was due to premiums written in the first quarter of 2013 being lower than in the fourth quarter of 2012. The provision for unpaid claims increased largely a result of the high property claim costs experienced in the quarter in Saskatchewan and Alberta, many of which remain unpaid at quarter end.

(thousands of $)	March 31 2013	December 31 2012	Change
Total equity	**307,995**	**282,675**	**25,320**
Key equity account changes:			
Retained earnings	224,837	199,521	25,316

The increase in retained earnings is attributable to the $30.6 million consolidated net income (excluding non-controlling interest) offset by dividends declared of $5.8 million, and other comprehensive income of $494,000. The other comprehensive income represents actuarial gains associated with the corporation's defined benefit pension and service recognition plans, related primarily to higher than anticipated investment returns.

Cash Flow and Liquidity

	three months to March 31		
(thousands of $)	2013	2012	Change
Operating activities	(4,980)	(16,544)	11,564
Investing activities	54,101	(9,720)	63,821
Financing activities	(41,993)	-	(41,993)
Net cash flow	7,128	(26,264)	33,392

While the Corporation's operating activities generated net income of $30.6 million for the first quarter, negative cash flow of $5.0 million occurred. This was largely a result of significant annual payments that occur in the first quarter, such as prior year premium taxes and broker bonuses.

Investing activities generated $54.1 million through the sale on long-term investments to provide funding towards the $42.0 million dividend payment.

Capital

	as at March 31	
	2013	2012
Minimum Capital Test	288%	280%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At March 31, 2013, the Corporation's MCT was 288% (December 31, 2012 - 280%), which is in excess of the 150% minimum regulatory target. For further information on capital management, refer to note 8 of the notes to the consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

The following table highlights quarter-over-quarter results for SGI CANADA:

	2013	2012			
(thousands of $)	Q1	Q4	Q3	Q2	Q1
Net premiums earned	122,099	124,280	121,540	119,290	117,706
Claims incurred	62,240	54,339	75,646	68,219	47,907
Net income (loss)	30,576	24,212	14,999	3,645	39,837
Cash flow from (used in) operations	(4,980)	33,187	41,542	41,170	(16,544)
Investments	708,109	751,096	723,889	669,056	651,538
Provision for unpaid claims	375,599	369,137	384,501	371,603	358,790
Minimum Capital Test	288%	250%	268%	269%	280%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2013:

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.
- The first quarter generally experiences lower claims incurred compared to the rest of the year. Claims incurred are anticipated to increase in the second and third quarters as a result of the summer storm season.
- With the exception of the first quarter, the Corporation generates positive cash flow from operations. Cash is typically low in the first quarter as the Corporation pays its annual premium taxes to the province in March. Operating cash flows are generally strong throughout the remaining nine months of the year and during these months excess cash generated is directed to investments.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include competition, distribution channel, leadership and strategy, significant privacy breaches, catastrophic claim losses, business intelligence, transfer and acquisition of expertise, systems security, and product design and pricing. These risks are described in detail in the Corporation's 2012 Annual Report.

Accounting Matters

Critical accounting estimates and assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2012 Annual Report.

New accounting standards

Effective January 1, 2013, the Corporation adopted the amendments to IAS 19, *Employee Benefits*. For further information on the adopted amendments to IAS 19, refer to note 4 of the notes to the consolidated financial statements for the quarter. Besides, IAS 19, there are no new accounting standards as compared to those discussed in the Corporation's 2012 Annual Report.

Related party transactions

There have been no material changes to the Corporation's related party arrangements during the quarter. For further details on the Corporation's related party arrangements, refer to the 2012 Annual Report.

Off balance sheet arrangements

SGI CANADA, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Consolidated Statement of Financial Position, commonly referred to as the balance sheet. These items include litigation, structured settlements and a long-term telecommunications contract. There have been no new off balance sheet arrangements during the quarter. For further details on off balance sheet arrangements, refer to the 2012 Annual Report.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

Insurance Contracts

IASB issued exposure draft ED/2010/8 Insurance Contracts (the ED) on July 30, 2010. The ED proposes a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. The IASB plans to issue a re-exposure document in the first half of 2013. A final standard is expected in 2014 with implementation not expected before 2017.

Financial Instruments

In November 2009, the IASB issued an exposure draft of IFRS 9, Financial Instruments, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

In November 2012, the IASB issued limited amendments to the exposure draft. The amendments include introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple

debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2015. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

Caution Regarding Forward-Looking Statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability to achieve them. Forward-looking statements are based on estimations and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, undue reliance should not be placed on the Corporation's forward-looking statements, which only apply as of the date of this MD&A document.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31 2013 (unaudited)	December 31 2012 (restated note 4) (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 20,982	$ 13,854
Accounts receivable	132,037	146,265
Investments under security lending program (note 5)	110,353	75,750
Investments (note 5)	597,756	675,346
Unpaid claims recoverable from reinsurers	43,619	45,501
Reinsurers' share of unearned premiums	21,287	12,561
Deferred policy acquisition costs	60,614	65,357
Property and equipment	31,809	32,353
Other assets	1,195	1,905
Deferred tax asset	4,706	4,706
	$ 1,024,358	$ 1,073,598
Liabilities		
Accounts payable and accrued liabilities	$ 52,132	$ 69,600
Dividend payable	5,750	41,993
Premium taxes payable	4,551	20,505
Amounts due to reinsurers	17,921	9,250
Unearned reinsurance commissions	3,735	4,014
Unearned premiums	255,661	275,410
Provision for unpaid claims	375,599	369,137
Deferred tax liability	1,014	1,014
	716,363	790,923
Equity		
Equity advances	80,000	80,000
Retained earnings	224,837	199,521
Province of Saskatchewan's equity	**304,837**	279,521
Non-controlling interest	3,158	3,154
Total equity	**307,995**	282,675
	$ 1,024,358	$ 1,073,598

(see accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

for the periods ended March 31, 2013 and 2012

	three months to March 31	
	2013	2012
	(unaudited)	(restated note 4) (unaudited)
	(thousands of $)	
Gross premiums written	$ 111,763	$ 108,623
Premiums written ceded to reinsurers	(18,139)	(18,886)
Net premiums written	93,624	89,737
Change in net unearned premiums	28,475	27,969
Net premiums earned	**122,099**	117,706
Claims incurred	62,240	47,907
Commissions	24,868	24,122
Administrative expenses	14,105	13,569
Premium taxes	5,671	5,507
Facility Association participation (note 11)	(28)	(56)
Total claims and expenses	**106,856**	91,049
Underwriting profit	**15,243**	26,657
Investment earnings (note 6)	17,537	15,447
Income before income taxes	**32,780**	42,104
Income tax expense	2,204	2,267
Net income	**30,576**	39,837
Other comprehensive income	494	-
Comprehensive income	**$ 31,070**	$ 39,837
Attributable to:		
The Province of Saskatchewan	31,066	39,734
Non-controlling interest	4	103
	$ 31,070	$ 39,837

(see accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the periods ended March 31, 2013 and 2012

	three months to March 31	
	2013	2012
	(unaudited)	(restated note 4) (unaudited)
	(thousands of $)	
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 199,521	$ 171,649
Comprehensive income	30,572	39,734
Other comprehensive income	494	-
Dividend	(5,750)	-
Balance, end of period	**$ 224,837**	$ 211,383
Total Province of Saskatchewan's equity	**$ 304,837**	$ 291,383
Non-controlling interest		
Balance, beginning of period	$ 3,154	$ 2,350
Comprehensive income	4	103
Balance, end of period	**$ 3,158**	$ 2,453
Total equity	**$ 307,995**	$ 293,836

(see accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the periods ended March 31, 2013 and 2012

	three months to March 31	
	2013	2012
	(unaudited)	(restated note 4) (unaudited)
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Net income	$ 30,576	$ 39,837
Non-cash items:		
Bond amortization	857	941
Depreciation	1,272	1,115
Net realized gain on sale of investments	(5,546)	(236)
Net unrealized gain on change in market value of investments	(7,153)	(10,326)
Actuarial gain on employee benefit plans	494	-
Change in non-cash operating items (note 9)	(25,480)	(47,875)
	(4,980)	(16,544)
Investing activities		
Purchases of investments	(266,068)	(156,730)
Proceeds on sale of investments	320,897	147,145
Purchases of property and equipment	(728)	(135)
	54,101	(9,720)
Financing activities		
Dividends paid	**(41,993)**	-
Increase (decrease) in cash and cash equivalents	**7,128**	(26,264)
Cash and cash equivalents, beginning of period	13,854	39,365
Cash and cash equivalents, end of period	**$ 20,982**	$ 13,101
Supplemental cash flow information:		
Interest received	$ 3,328	$ 1,978
Dividends received	$ 625	$ 523
Income taxes paid	$ 1,067	$ 808

(see accompanying notes)

March 31, 2013

1. NATURE OF OPERATIONS

Saskatchewan Government Insurance (the Corporation or SGI), which operates under the trade name of SGI CANADA (2260-11th Ave., Regina, Sask., Canada), is incorporated, registered and conducts a property and casualty insurance business in the province of Saskatchewan and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. SGI CANADA Insurance Services Ltd. operates directly in Alberta and Manitoba, in Ontario through its wholly owned subsidiary Coachman Insurance Company (Coachman) and in Prince Edward Island, New Brunswick and Nova Scotia through its 75%-owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI).

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia and represent approximately 18.8% (December 31, 2012 - 18.1%) of the Corporation's consolidated net premiums earned.

SGI was established as a branch of the Public Service by *The Government of Saskatchewan Act, 1944*, reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act*. As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SGI CANADA Insurance Services Ltd., Coachman and ICPEI are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

2. BASIS OF PREPARATION

Statement of compliance

The unaudited interim consolidated financial statements for the period ended March 31, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including the International Accounting Standard 34, *Interim Financial Reporting*, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These unaudited interim consolidated financial statements do not include all of the note disclosures normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended December 31, 2012. Full disclosures will be included in the consolidated annual financial statements.

Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis, except for financial instruments, certain items of land, building and building components and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The land, building and building components were fair valued upon transition to IFRS, using the deemed cost exemption. The provision for unpaid claims and unpaid claims recoverable from reinusrers are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of financial position classification

The statement of financial position has been prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current and non-current amounts.

Functional currency and presentation

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Use of estimates and judgment

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims and valuation of investments.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman and its 75%-owned subsidiary, ICPEI. All inter-company accounts and transactions have been eliminated on consolidation.

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized in net income. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income; however, unrealized losses considered other than temporary are recognized as a decrease to net income. Financial assets designated as held to maturity, loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Corporation has no financial assets and liabilities designated as available for sale or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as other financial liabilities.

Investments

All investments are carried at fair value. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The common shares are level 1 financial assets and the fair value is determined based on quoted market values, based on the latest bid prices. The pooled equity funds are level 1 financial assets and the fair value is based on the quoted market values of the underlying investments, based on the latest bid prices. Bonds and debentures are level 2 financial assets and the fair value is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity. The pooled mortgage fund is a level 2 financial asset and the fair value is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage.

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the statement of financial position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Investment earnings

The Corporation recognizes interest and premium financing as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in market value of the investments held at the period end date.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Transaction costs are included in the acquisition cost of individual investments. Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the period end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary

investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current year. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current period.

Premiums written

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written, which are taken into income over the terms of the related policies, no longer than 12 months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the period end date. The estimate includes the cost of reported claims, and claims incurred but not reported, an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The provision has been calculated including the impact of discounting using a discount rate of 1.84% (December 31, 2012 - 1.97%). The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral using a liability adequacy test. The limit is calculated as the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Reinsurance ceded

Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized.

Employees' future benefits

The Corporation provides a defined benefit pension plan and a defined contribution pension plan that provide retirement benefits for its employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

For the defined benefit plan:

(i) Net interest on the accrued pension liability is recognized in net income.

(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.

(iii) The discount rate used to determine the accrued benefit obligation and the expected return on plan assets was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

(iv) Past service costs are expensed immediately.

(v) Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise.

The Corporation provides defined benefit service recognition plans for both management and in-scope (union) employees for the purpose of providing certain retirement benefits. The cost of the plans is determined using the projected unit credit method prorated on service. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand, less outstanding cheques.

Property and equipment

All classes of property and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, building and building components, fair value upon transition to IFRS has been used as the deemed cost.

The Corporation has not incurred any borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalized.

The depreciation method, the useful lives and the residual values of the assets are reviewed at each reporting date. Repairs and maintenance are charged to the statement of operations in the period in which they have been incurred.

Depreciation is recorded in operations on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Building	40 years
Building components	15-40 years
Computer hardware and other equipment	3-5 years

Building components consists of heating and cooling systems, elevators, roofs and parking lots.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Corporation's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations. Goodwill is included in other assets on the Consolidated Statement of Financial Position.

Leased assets

Leases where the Corporation does not assume substantially all of the risks and reward of ownership are classified as operating leases. The payments are expensed as they are incurred.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

Insurance Contracts

IASB issued exposure draft ED/2010/8 Insurance Contracts (the ED) on July 30, 2010. The ED proposes a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. The IASB plans to issue a re-exposure document in the first half of 2013. A final standard is expected in 2014 with implementation not expected before 2017.

Financial Instruments

In November 2009, the IASB issued an exposure draft of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

In November 2012, the IASB issued limited amendments to the exposure draft. The amendments include introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2015. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

4. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2013, the Corporation adopted the amendments to IAS 19, *Employee Benefits*. The amendments require all past service costs to be recognized immediately in net income, regardless of vesting requirements. Prior to adopting the amendment the Corporation had $1,470,000 of unamortized past service costs associated with its two defined benefit service recognition plans. The change has been adopted retroactively, the impact of the amendment is as follows:

	(thousands of $)		
	As previously reported	Increase (decrease) due to adjustment	Restated
Statement of Operations			
For the three months ended March 31, 2012			
Claims incurred	$ 47,938	$ (31)	$ 47,907
Administrative expenses	13,686	(117)	13,569
Net income	39,689	148	39,837
For the year ended December 31, 2012			
Claims incurred	$ 246,236	$ (124)	$ 246,112
Administrative expenses	58,464	(467)	57,997
Net income	82,102	591	82,693
Statement of Financial Position			
As at December 31, 2012			
Accounts payable and accrued liabilities	$ 68,130	$ 1,470	$ 69,600
Retained earnings	$ 200,991	$ (1,470)	$ 199,521

5. INVESTMENTS

The carrying values of the Corporation's investments are as follows:

	(thousands of $)	
	March 31 2013	December 31 2012
Short-term investments	$ 62,525	$ 79,632
Bonds and debentures	351,606	411,386
Canadian common shares	59,514	58,751
U.S. common shares	23,922	25,845
Pooled funds:		
Canadian equity	23,535	23,595
United States equity	10,729	10,447
Non-North American equity	37,457	37,584
Mortgage	28,468	28,106
	597,756	675,346
Investments under securities lending program		
Bonds and debentures	94,628	53,878
Canadian common shares	14,334	21,423
U.S. common shares	1,391	449
	110,353	75,750
Total investments	$ 708,109	$ 751,096

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. Non-cash collateral of at least 102% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At March 31, 2013, the Corporation held collateral of $115,868,000 (December 31, 2012 - $79,543,000) for the loaned securities.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 - where quoted prices are readily available from an active market

Level 2 - valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates

Level 3 - models using inputs that are not based on observable market data

(thousands of $)

	March 31, 2013			December 31, 2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Short-term investments	$ -	$ 62,525	$ 62,525	$ -	$ 79,632	$ 79,632
Bonds and debentures	-	446,234	446,234	-	465,264	465,264
Canadian common shares	73,848	-	73,848	80,174	-	80,174
U.S. common shares	25,313	-	25,313	26,294	-	26,294
Pooled funds:						
Canadian equity	23,535	-	23,535	23,595	-	23,595
United States equity	10,729	-	10,729	10,447	-	10,447
Non-North American equity	37,457	-	37,457	37,584	-	37,584
Mortgage	-	28,468	28,468	-	28,106	28,106
	$ 170,882	$ 537,227	$ 708,109	$ 178,094	$ 573,002	$ 751,096

During the period, no investments were transferred between levels and the Corporation did not have any investments classified as level 3.

6. INVESTMENT EARNINGS

The components of investment earnings are as follows:

(thousands of $)

	three months to March 31	
	2013	2012
Net unrealized gain on change in market value of investments	$ 7,153	$ 10,326
Net realized gain on sale of investments	5,546	236
Interest	2,552	2,656
Premium financing	1,440	1,429
Dividends	594	523
Pooled fund distributions	570	552
Total investment earnings	17,855	15,722
Investment expenses	(318)	(275)
Net investment earnings	$ 17,537	$ 15,447

7. INSURANCE AND FINANCIAL RISK MANAGEMENT

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also result in significant financial risks, as the Corporation's statement of financial position consists primarily of financial instruments. The financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance risk

Underwriting risk

The Corporation manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

Diversification

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written:

(thousands of $)

March 31, 2013	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 32,376	$ 29,205	$ 9,780	$ 7,595	$ 78,956
Manitoba	-	1,533	797	496	2,826
Alberta	7,158	2,055	912	1,059	11,184
Ontario	10,918	1,374	743	574	13,609
Maritimes	3,444	703	661	380	5,188
Total	$ 53,896	$ 34,870	$ 12,893	$ 10,104	$ 111,763

(thousands of $)

March 31, 2012	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 30,179	$ 27,510	$ 9,785	$ 7,633	$ 75,107
Manitoba	-	1,680	767	486	2,933
Alberta	6,112	1,668	872	1,084	9,736
Ontario	12,925	1,706	677	574	15,882
Maritimes	3,281	708	617	359	4,965
Total	$ 52,497	$ 33,272	$ 12,718	$ 10,136	$ 108,623

The concentration of insurance risk by line of business is summarized below by reference to unpaid claims liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2013	December 31 2012	March 31 2013	December 31 2012	March 31 2013	December 31 2012
Automobile	$ 197,064	$ 193,784	$ 20,570	$ 20,357	$ 176,494	$ 173,427
Property	88,319	88,040	17,293	19,317	71,026	68,723
Liability	60,459	59,274	3,665	3,910	56,794	55,364
Assumed	7,718	7,740	-	-	7,718	7,740
PFAD and discounting	15,899	14,295	2,091	1,917	13,808	12,378
Facility Association	6,140	6,004	-	-	6,140	6,004
Total	$ 375,599	$ 369,137	$ 43,619	$ 45,501	$ 331,980	$ 323,636

The concentration of insurance risk by region is summarized below by reference to unpaid claims liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2013	December 31 2012	March 31 2013	December 31 2012	March 31 2013	December 31 2012
Alberta	$ 31,188	$ 31,906	$ 3,516	$ 4,341	$ 27,672	$ 27,565
Saskatchewan	196,044	191,040	18,765	20,365	177,279	170,675
Manitoba	6,110	6,830	815	582	5,295	6,248
Ontario	121,957	120,549	20,046	19,923	101,911	100,626
Maritimes	20,300	18,812	477	290	19,823	18,522
Total	$ 375,599	$ 369,137	$ 43,619	$ 45,501	$ 331,980	$ 323,636

Reinsurance

The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss as follows:

	(thousands of $)	
	2013	2012
Dwelling and farm property	$ 750	$ 750
Unlicensed vehicles	750	750
Commercial property	1,000	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	12,500	10,000

The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Actuarial risk

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the period end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the period end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

Financial risk

The nature of the Corporation's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors. The SIP&G provides guidelines to the investment manager for the asset mix of the portfolio regarding quality and quantity of debt and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment manager and custodian regarding compliance with the SIP&G. The investment manager's performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from its customers, brokers and reinsurers) and certain investments. The maximum credit risk to which the Corporation is exposed to is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	March 31 2013	December 31 2012
Cash and cash equivalents	$ 20,982	$ 13,854
Accounts receivable	132,037	146,265
Fixed income investments [1]	537,227	573,002
Unpaid claims recoverable from reinsurers	43,619	45,501

[1] Includes short-term investments, bonds and debentures, and the mortgage pooled fund

Cash and cash equivalents include money market investments of $26,662,000 less bank overdraft, net of outstanding cheques of $5,680,000 (2012 - money market investments of $19,578,000 less bank overdraft, net of outstanding cheques of $5,724,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable consist of balances outstanding for one year or less.

	(thousands of $)	
	March 31 2013	December 31 2012
Current	$ 130,258	$ 144,440
30 - 59 days	580	834
60 - 90 days	313	188
Greater than 90 days	6,470	6,436
Subtotal	137,621	151,898
Allowance for doubtful accounts	(5,584)	(5,633)
Total	$ 132,037	$ 146,265

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

	(thousands of $)	
	three months ended March 31 2013	twelve months ended December 31 2012
Allowance for doubtful accounts, opening balance	$ 5,633	$ 5,126
Accounts written off	(205)	(1,814)
Current period provision	156	2,321
Allowance for doubtful accounts, ending balance	$ 5,584	$ 5,633

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage pooled fund. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bond and debenture investments are as follows:

	(thousands of $)			
	March 31, 2013		December 31, 2012	
Credit Rating	Fair Value	Makeup of Portfolio	Fair Value	Makeup of Portfolio
AAA	$ 181,622	40.7%	$ 214,126	46.0%
AA	158,368	35.5%	137,751	29.6%
A	84,769	19.0%	91,048	19.6%
BBB	21,475	4.8%	22,339	4.8%
Total	$ 446,234	100.0%	$ 465,264	100.0%

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The unit value of the mortgage pooled fund is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada.

Credit risk associated with reinsurers is managed through regular monitoring of credit ratings of the reinsurers utilized by the Corporation. Reinsurers' credit ratings range from AA+ to A- based on the most recent ratings by AM Best.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the mortgage pooled fund. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	100 basis point increase		100 basis point decrease	
	March 31 2013	December 31 2012	March 31 2013	December 31 2012
Investment earnings	$ (11,400)	$ (11,855)	$ 11,400	$ 11,855
Claims incurred	(8,829)	(8,265)	8,829	8,265
Net income	(2,571)	(3,590)	2,571	3,590

Foreign exchange risk

The Corporation is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. equity investments, purchases of goods and services that are denominated in U.S. dollars, and a portion of claims and reinsurance receivables and payables denominated in U.S. dollars. Also, the Corporation is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in the non-North American pooled fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 7% each of the market value of the total investment portfolio. At March 31, 2013, the Corporation's exposure to U.S. equities was 5.1% (December 31, 2012 - 4.9%) and its exposure to non-North American equities was 5.3% (December 31, 2012 - 5.0%).

At March 31, 2013, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $3.6 million (December 31, 2012 - $3.7 million) decrease/increase in net income and retained earnings. A 10% appreciation/depreciation in the Canadian dollar versus the EAFE currencies would result in approximately a $3.7 million (December 31, 2012 - $3.8 million) decrease/increase in net income and retained earnings. As common shares, the U.S. equity pooled fund and the non-North American equity pooled fund are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income.

There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 24.1% (December 31, 2012 - 23.7%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

	(thousands of $)					
	March 31			December 31		
Asset class	2013			2012		
Canadian pooled equity fund and Canadian common shares	$	+/-	31,358	$	+/-	36,319
U.S. pooled equity fund and U.S. common shares		+/-	9,659		+/-	8,891
Non-North American pooled equity fund		+/-	12,960		+/-	12,252

The Corporation's equity investments are classified as fair value through profit and loss and as such, any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from its investing activities.

8. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the period.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

SGI CANADA is not a regulated insurer; however, its subsidiaries, SGI CANADA Insurance Services Ltd., Coachman Insurance Company and the Insurance Company of Prince Edward Island, are subject to rate regulation related to their automobile premiums. Regulators require insurers to maintain a level of capital sufficient to achieve an MCT of 150% or higher based on the risk profile of the insurer and its business. At March 31, 2013, the Corporation's MCT was 288% (December 31, 2012 - 250%). In addition, each of the subsidiaries' MCT is above 150%. There have been no changes to the Corporation's capital management processes and measures since the prior year end.

9. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

	(thousands of $) three months to March 31	
	2013	(restated note 4) 2012
Accounts receivable	$ 14,228	$ 4,393
Unpaid claims recoverable from reinsurers	1,882	9,343
Reinsurers' share of unearned premiums	(8,726)	(9,340)
Deferred policy acquisition costs	4,743	4,566
Other assets	710	70
Accounts payable and accrued liabilities	(17,468)	(10,767)
Premium taxes payable	(15,954)	(15,908)
Amounts due to reinsurers	8,671	3,903
Unearned reinsurance commissions	(279)	(237)
Unearned premiums	(19,749)	(18,629)
Provision for unpaid claims	6,462	(15,269)
	$ (25,480)	$ (47,875)

10. EMPLOYEE SALARIES AND BENEFITS

The Corporation incurs salaries costs, retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefits costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the Consolidated Statement of Operations.

The total salary and benefits expenses incurred during the period are as follows:

	(thousands of $) three months to March 31	
	2013	(restated note 4) 2012
Salaries	$ 29,083	$ 27,367
Defined contribution pension plan	1,615	1,503
Defined benefit pension plan	52	(55)
Defined benefit service recognition plans	212	213
Other benefits	3,717	3,545
Total salaries and benefits	34,679	32,573
Less: Allocation to Saskatchewan Auto Fund	(21,419)	(20,238)
Salaries and benefits incurred in SGI CANADA	$ 13,260	$ 12,335

Defined contribution pension plan

The Corporation has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2010. The next valuation date is December 31, 2013.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

Pension expense (income) for the defined benefit pension plan is as follows:

	(thousands of $) three months to March 31	
	2013	2012
Current service cost	$ 14	$ 18
Interest cost	327	376
Expected return on pension plan assets	(289)	(449)
Pension expense (income)	$ 52	$ (55)

During the period, $32,000 of the pension expense (2012 - $34,000 of pension income) was allocated to the Saskatchewan Auto Fund.

Defined benefit service recognition plans

Pension expense for the defined benefit service recognition plan is as follows:

	(thousands of $) three months to March 31	
	2013	(restated note 4) 2012
Current service cost	$ 60	$ 41
Interest cost	152	172
Pension expense	$ 212	$ 213

Key management personnel

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include Board members, President and Chief Executive Officer, and Vice Presidents of the Corporation. Key management personnel compensation is comprised of:

	(thousands of $) three months to March 31	
	2013	2012
Salaries and benefits	$ 884	$ 884
Post-employment benefits	10	10
Contributions to defined contribution plan	64	60
	$ 958	$ 954

11. FACILITY ASSOCIATION PARTICIPATION

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $) three months to March 31	
	2013	2012
Gross premiums written	$ 843	$ 784
Net premiums earned	$ 1,035	$ 938
Claims incurred	823	691
Commissions	27	27
Premium taxes	32	29
Administrative expenses	192	195
Total claims and expenses	1,074	942
Underwriting loss	(39)	(4)
Investment earnings	67	60
Net income	$ 28	$ 56

12. SEGMENTED INFORMATION

The Corporation provides property and casualty insurance through operating segments located across Canada: Saskatchewan, Manitoba and Alberta, Ontario and the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). These operating segments correspond with the geographical regions in which SGI CANADA operates. The performance of each operating segment is reported separately to the Corporation's Board of Directors.

The product offerings vary across the segments, but all products offered are considered property and casualty insurance.

(thousands of $)

March 31, 2013	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 69,668	$ 11,084	$ 8,713	$ 4,159	-	$ 93,624
Net premiums earned	88,093	14,965	13,296	5,745	-	122,099
Claims incurred	42,201	9,093	6,890	4,056	-	62,240
Other expenses	33,862	4,851	3,858	2,045	-	44,616
Underwriting profit (loss)	12,030	1,021	2,548	(356)	-	15,243
Investment earnings	12,442	1,780	2,889	426	-	17,537
Income before the following:	24,472	2,801	5,437	70	-	32,780
Income tax expense	-	743	1,441	20	-	2,204
Net income	$ 24,472	$ 2,058	$ 3,996	$ 50	$ -	$ 30,576
Total assets	$ 665,802	$ 142,287	$ 218,502	$ 51,796	$ (54,029)	$ 1,024,358
Total liabilities	$ 475,276	$ 96,796	$ 161,086	$ 37,234	$ (54,029)	$ 716,363
Province of Saskatchewan's equity	$ 190,527	$ 45,972	$ 57,415	$ 14,081	$ (3,158)	$ 304,837

(thousands of $)

March 31, 2012 (restated note 4)	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 66,093	$ 9,956	$ 9,949	$ 3,739	$ -	$ 89,737
Net premiums earned	84,754	12,940	14,641	5,371	-	117,706
Claims incurred	30,304	5,380	9,176	3,047	-	47,907
Other expenses	32,401	4,394	4,362	1,985	-	43,142
Underwriting profit	22,049	3,166	1,103	339	-	26,657
Investment earnings	11,257	1,468	2,422	300	-	15,447
Income before the following:	33,306	4,634	3,525	639	-	42,104
Income tax expense	-	1,158	925	184	-	2,267
Net income	$ 33,306	$ 3,476	$ 2,600	$ 455	$ -	$ 39,837
Total assets	$ 638,869	$ 129,107	$ 201,596	$ 47,060	$ (51,854)	$ 964,778
Total liabilities	$ 444,251	$ 88,382	$ 154,833	$ 35,330	$ (51,854)	$ 670,942
Province of Saskatchewan's equity	$ 194,618	$ 41,206	$ 46,763	$ 11,249	$ (2,453)	$ 291,383